

Michigan charters and issued the bills in other States where the standing of the banks could not be known. " They' were at a great discount," says Judge Cooley, " as compared with Eastern bills ; the issues of one bank were at a discount as compared with those of another; merchants kept couriers by whom they hurried off to the banks of issue the bills they were compelled to take, that they might if possible exchange them for something in which they had more confidence. No ' circulating medium ' ever before circulated so rapidly." <sup>1</sup> Fraudulent over-issues were frequent and in many cases were not even recorded. Misery and bankruptcy spread over the State, with their natural sequence of stay laws and laws fixing the value at which the property of debtors should be taken. The free banks were nearly all in the hands of receivers when, in 1844, the Supreme Court of the State decided that even the receiverships had no legal existence, for the general banking act had been passed in violation of the constitutional provision regarding corporations, which implied the necessity of a separate charter in each case.

Banking laws basing the issue of notes upon securities were adopted by Illinois in 1851, Indiana in 1852, Wisconsin in 1853, and other States soon after. The restrictions which experience in New York showed to be necessary to protect note-holders received little attention in the West and the rapid depreciation of the "red dog" and "wildcat" currency cast a suspicion upon State bank issues which has survived to this day. Fifty-one of the ninety-four free banks of Indiana suspended before the panic of 1857 and most of those left tumbled like a house of cards in all the States when the pressure came. A fictitious market was created for securities, which brought prices that could not have been otherwise obtained, and the stimulus was thus given for the creation of public debt by the issue of securities, the issue of bank-notes on the securities, the purchase of more securities to be used as the pledge of new bank-notes\*

<sup>1</sup> Michigan, 272.